

Statement of Attorney General Eric H. Holder, Jr.
Financial Crisis Inquiry Commission
January 14, 2010

Chairman Angelides and Vice Chairman Thomas, thank you for inviting me to address you and the other distinguished Members of this Commission. These inaugural hearings mark a critical step forward in better understanding the root causes of the financial crisis that has held our economy in its grip over the last two years. I appreciate the opportunity to participate in this Commission's work and to assist your inquiry.

This morning, I am joined by Lanny Breuer, the Assistant Attorney General for the Justice Department's Criminal Division. Lanny spearheads many of our key efforts in investigating, prosecuting, and punishing financial crimes. He has submitted written testimony, which provides a comprehensive overview of the Department's work in these areas, and he will be available to answer any additional questions you may have.

We must be vigilant in our efforts to safeguard and strengthen the American economy. Our efforts to fight economic crime are a vital component of our broader strategy – a strategy that seeks to foster confidence in our financial system, integrity in our markets, and prosperity for the American people.

In carrying out this strategy, the Justice Department has long focused its efforts on combating financial fraud. Across numerous administrations, Democratic and Republican alike, the Department has worked hard to combat fraud and to recover ill-gotten gains for the benefit of fraud victims. Despite these efforts, however, we know that financial fraud persists. In fact, the *Wall Street Journal* reported earlier this month that “crisis and fraud in the securities and investment banking industries are at their

highest levels since records began.” The current economic crisis has brought these challenges to the forefront.

Let me state at the outset what role the Department plays – and does not play – in addressing these challenges. Put simply, the Department of Justice investigates and prosecutes federal crimes. As I sit here today, prosecutors in Washington and in 94 U.S. Attorney’s Offices around the country are hard at work investigating a wide array of financial fraud cases, from mortgage fraud, to Medicare and healthcare fraud, to securities fraud, to corporate malfeasance. I am proud that we have put in place a law enforcement response to the financial crisis that is and will continue to be aggressive, comprehensive, and well-coordinated.

But while the reach of our investigative and prosecutorial function is broad, we do not purport to have all the answers. As a general matter, we do not have the expertise, nor is it part of our mission, to opine on the systemic causes of the financial crisis. Rather, the Justice Department’s resources are focused on investigating and prosecuting crime. It is within this context that I am pleased to offer my testimony and contribute to your review.

The Department has a long history of prosecuting financial fraud—and we will continue to do so. Working in concert with our Federal, state, local, tribal, and territorial partners, the Justice Department is using every tool at our disposal – including new resources, advanced technologies and communications capabilities, and the very best talent we have – to prevent, prosecute, and punish these crimes. And by taking dramatic action, our goal is not just to hold accountable those whose conduct may have contributed to the last meltdown, but to deter such future conduct as well.

The cornerstone of our work in this area is a new, interagency Financial Fraud Enforcement Task Force, which was established in November by Executive Order of the President and is led by the Justice Department. At the core of the Task Force's mission is a more robust and strategic law enforcement effort, focused on combating four types of financial crime:

- Mortgage fraud – from foreclosure rescue and loan modification frauds to systematic lending fraud in the nationwide housing market;
- Securities fraud – from traditional insider trading, to Ponzi schemes, to accounting fraud, to misrepresentations to investors;
- Recovery Act and rescue fraud – including the theft of federal stimulus funds and the illegal use of taxpayer dollars intended to shore up our financial institutions; and
- Financial discrimination – including predatory lending practices in minority communities and the sale of financial products that exploit the elderly and disadvantaged.

In combating financial crimes, we will aggressively leverage the criminal and civil enforcement resources of the federal government. We will tackle every fraud case with the aim of recovering stolen funds for victims. And we will enhance coordination and cooperation among the Federal, state, local, tribal, and territorial authorities, so that the perpetrators of these crimes are brought to justice.

On this last point, let me be clear: When we find businesses or individuals whose disregard for the law has hurt the pocketbooks of average Americans, we will use every available measure to hold them accountable.

Even before the launch of the Task Force, the Department aggressively responded to the financial crisis by redoubling our fraud-fighting efforts. In addition to convicting Bernard Madoff, who perpetrated the largest Ponzi scheme in our nation's history, last year we arrested the ringleaders of what has been described as the biggest hedge fund insider trading case in history. And we secured 30-year and 25-year sentences for two executives of National Century Financial Enterprises following their convictions on conspiracy, fraud, and money-laundering charges.

We've also devoted substantial attention to preventing and prosecuting mortgage fraud. Right now, the FBI is investigating more than 2,800 such cases, up almost 400 percent from five years ago. The recently-enacted federal budget for 2010 will enhance these efforts, as will the enhanced legislative authorities Congress provided the Department last year in the Fraud Enforcement and Recovery Act of 2009.

I'm confident that with new authorities, new resources, and a bold new plan of action, we can and will make measurable, meaningful progress. And, working together with our law enforcement and regulatory partners, we will succeed in restoring the integrity of our markets, preserving taxpayers' resources, and protecting the vast majority of hardworking Americans, investors, and businesses who play by the rules and adhere to the law.

Thank you again for the opportunity to participate in today's hearing and to outline the Department's ongoing efforts to address financial fraud in the wake of our economic crisis. I look forward to working with you and, along with Assistant Attorney General Breuer, would be happy to answer your questions.

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